

Message Text

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TO HICOMTERPACIS SAIPAN MI IMMEDIATE

UNCLAS STATE 156595

E.O. 11652: N/A

TAGS: AFIN,TQ

SUBJECT: MANAGEMENT PROBLEMS

DOA NO. 226-TT

PLEASE PASS IMMEDIATELY TO FRED ZEDER.

CONTINUED CONVERSATION WITH HUGHES, CLARKE, HITE, NOVICK,
ET AL RELATIVE TO TTPI MANAGEMENT PROBLEMS HAS RESULTED

IN RECOMMENDATION THAT YOU IMPLEMENT THE CHANGES AND
PROCEDURES THAT FOLLOW WHILE YOU ARE IN THE TRUST TERRI-
TORY.

RECOMMENDATIONS:

1. REQUIRE THAT FUTURE FUND ACCOUNTING AND STATUS REPORTS
BE IN ACCORD WITH 1311 CRITERIA. EXISTING PRACTICES
WHICH ARE AT VARIANCE WITH THIS CRITERIA -- OBLIGATION OF
REQUISITIONS, INTERNAL JOB ORDERS AND PREVALIDATIONS --
SHOULD BE STOPPED. CERTAIN OTHER TYPES OF TRANSACTIONS,
PRIMARILY TRAVEL AUTHORIZATION AND ACCRUED PAYROLL HAVE
BEEN ERROR PRONE AND IMMEDIATE ACTION IS NEEDED TO SCREEN
AND CORRECT THESE RECORDS. ACTION WAS DIRECTED TO EFFECT
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THESE CHANGES IN A MESSAGE TO HICOM DATED JUNE 4, 1975.
FEEDBACK FROM HICOM TO MATT NOVICK INDICATES THAT COM-
MISSIONER JOHNSTON HAS AGREED TO TAKE THESE ACTIONS.

2. RESOLVE THE ISSUE RELATING TO THE ACCOUNTING FOR 'STOCK FUND' INVENTORIES WHICH AMOUNTED TO ABOUT \$1.8 MILLION AS OF MARCH 31. IT HAS BEEN THE CONTENTION OF TTPI THAT THESE INVENTORIES WERE FUNDED YEARS AGO FROM NON-FEDERAL SOURCES. THEREFORE, NO OBLIGATION OF THE FEDERAL GRANT MONIES IS NECESSARY UPON ACQUISITION OF THE INVENTORY. IN THEIR VIEW, OBLIGATION SHOULD OCCUR ONLY WHEN STOCK IS ISSUED FROM THE INVENTORY. ON THE OTHER HAND, THE COMPTROLLER FOR GUAM/TTPI BELIEVES THAT THE INVENTORY IS ACQUIRED FROM FEDERAL GRANT FUNDS AND SHOULD BE OBLIGATED UPON ACQUISITION. WE DO NOT HAVE SUFFICIENT INFORMATION TO RESOLVE THIS ISSUE. ITS EFFECT HOWEVER IS SIGNIFICANT BECAUSE CURRENT FUND AVAILABILITY WOULD BE INCREASED BY \$1.8 MILLION IF TTPI'S VIEW IS CORRECT. BY MESSAGE DATED JUNE 4, 1975, HICOM WAS DIRECTED TO DISCUSS THIS ISSUE AND REACH A RESOLUTION WITH THE GOVERNMENT COMPTROLLER FOR GUAM/TTPI BY JUNE 10. HICOM WAS ALSO DIRECTED TO ADVISE THE OFFICE OF SECRETARIAL OPERATIONS - FISCAL BY JUNE 23 OF THE RESOLUTION OF THIS ISSUE. AS OF THIS DATE, WE HAVE NOT RECEIVED ADVISE OF RESOLUTION. FURTHER ACTION MAY BE REQUIRED IF WE FIND THAT TTPI AND THE COMPTROLLER CANNOT RESOLVE THE ISSUE BETWEEN THEMSELVES.

3. REQUIRE SEPARATE BUDGETING AND ACCOUNTING FOR ALL LOCAL REVENUES. TTPI HAS FOLLOWED THE PRACTICE OF NETING ALL LOCAL REVENUES AGAINST EXPENDITURES.

4. IMPLEMENT A DOCUMENT/DATA CONTROL DISCIPLINE ELEMENT EFFECTIVE JULY 1. THE PURPOSE IS TO ROUTE ALL ACCOUNTING DOCUMENTS THROUGH A CONTROL AND CODING PROCESS WHERE A FEW SKILLED HANDS CAN ESTABLISH AND CODE THE PROPER TREATMENT OF THE TRANSACTIONS AND MAINTAIN RECONCILIATIONS TO ASSURE APPROPRIATE POSTINGS AND PROCESSING BY OTHER SEGMENTS. SUCH A CONTROL SEGMENT IS SEEN AS CRITICAL TO THE IMPLEMENTATION OF THE NEW SYSTEM SO OUR RECOMMENDATIONS WOULD JUST MOVE UP THE ACTIVATION UNCLASSIFIED

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DATE FOR THE UNIT. DETAILS OF THE PROPOSED SYSTEM HAVE BEEN SET FORTH BY MR. TERRY GARRETT THE MANAGEMENT CONSULTANT ON SITE.

WHILE IT IS NOT POSSIBLE TO HAVE THIS SYSTEM INSTALLED AS OF JULY 1, IT SHOULD BE POSSIBLE TO MAKE IT AVAILABLE SHORTLY THEREAFTER AND IN SUFFICIENT TIME TO RUN ALL FY 1976 TRANSACTIONS THROUGH. THE KEY CONSTRAINT IS RESOURCES.

CONSULTANTS WORKING ON THE NEW ACCOUNTING SYSTEM BELIEVE THE ACCOUNTING TECHNICIAN (2) AND CLERICAL (1) CAPABILITY TO OPERATE THE SYSTEM IS ALREADY AVAILABLE IN THE TTPI FINANCE OFFICE. THEY DO NOT BELIEVE, HOWEVER,

THAT THERE ARE RESOURCES IN THE FINANCE OFFICE AVAILABLE TO DESIGN THE PROCEDURES AND TRAIN AND SUPERVISE THE OPERATORS.

THE INDIVIDUAL MOST KNOWLEDGEABLE AND AVAILABLE TO DO THIS IS THE CONSULTANT, TERRY GARRETT. GARRETT SAYS THAT THIS ASSIGNMENT WILL HAVE A MINIMAL IMPACT ON HIS WORK SCHEDULE. THE PROCEDURAL ASPECTS WOULD HAVE TO BE DONE BY HIM ANYWAY AS PART OF THE NEW SYSTEM DESIGN. HE FEELS WE WILL NEED IMMEDIATE ASSISTANCE FOR 4-6 WEEKS BY TWO COMPETENT ACCOUNTANTS. WE RECOMMEND THAT YOU DIRECT THE FEDERAL COMPTROLLER FOR TTPI TO PROVIDE THE NECESSARY STAFF RESOURCES.

5. ESTABLISH AN OVERSIGHT SYSTEM TO DETERMINE THAT THE FOREGOING DIRECTIONS ARE IN FACT PROPERLY IMPLEMENTED. OVERSIGHT SHOULD BE PROVIDED BY THE COMPTROLLER FOR GUAM/TTPI. THE COMPTROLLER HAS LEGISLATIVELY MANDATED OVERSIGHT RESPONSIBILITY, GEOGRAPHIC PROXIMITY, AND PRIOR EXPERIENCE IN THE REVIEW OF THE SYSTEM AND IDENTIFICATION OF THE PROBLEM TO BE CORRECTED. A RELATED ISSUE IS THE TIMING OF OVERSIGHT EFFORTS. WE BELIEVE THAT INITIAL OVERSIGHT OF INSTRUCTIONS ISSUED IN ACCORD WITH 1. AND 2. ABOVE SHOULD BE MADE THROUGH SITE VERIFICATION OF FUND STATUS REPORTS SUBMITTED AS OF JUNE 30. SUBSEQUENT OVERSIGHT OF THESE IMPLEMENTATIONS AS WELL AS THAT RELATED TO THE INSTRUCTIONS ISSUED IN ACCORD WITH 3. ABOVE SHOULD BE MADE AS OF JULY 31; AND AT LEAST UNCLASSIFIED

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QUARTERLY THEREAFTER THROUGH FY 1976. DEPENDING ON THE TIMING AND PROGRESS MADE IN INSTALLATION OF THE NEW SYSTEM AS WELL AS THE CONFORMANCE FOUND BY THESE OVERSIGHT REVIEWS, SUBSEQUENT DETERMINATIONS CAN BE MADE AS TO THE FREQUENCY AND NATURE OF OVERSIGHT REVIEWS IN FY 1977 AND SUBSEQUENT.

IN ADDITION TO OVERSIGHTING THE IMPLEMENTATION OF CORRECTED ACTIONS IN 1, 2, AND 3 ABOVE, WE SEE THE REVIEWS AS OF JULY 31 AND SUBSEQUENT AS BEING EXTENDED TO THE ADEQUACY OF THE DOCUMENT CONTROL SYSTEM DISCUSSED IN ITEM 4.

THIS SHOULD INCLUDE SELECTIVE REVIEW TO ASSURE APPROPRIATE SUBMISSION OF DOCUMENTS TO DOCUMENT CONTROL AND ACCURATE RECORDINGS AND REPORTINGS CONSISTENT WITH THE CODING BY DOCUMENT CONTROL.

THE FOREGOING ACTIONS WILL NOT CORRECT ALL FINANCIAL MANAGEMENT SYSTEM DEFICIENCIES. I BELIEVE, HOWEVER, THAT THEY CAN RESULT IN REASONABLY RELIABLE FINANCIAL STATUS REPORTS WITHIN TOLERABLE ERROR LIMITS PROVIDING

THAT THE TTPI ACCOUNTANTS COOPERATE. MANY OTHER PROBLEM AREAS WERE POINTED UP IN THE COMPTROLLER FOR GUAM/TTPI'S ANNUAL REPORT FOR FISCAL YEAR 1974, ISSUED FEBRUARY 26, 1975. IT WOULD BE APPROPRIATE TO REQUEST OF THE HICOM A STATUS REPORT ON CORRECTIVE ACTIONS TAKEN. THE ONLY CONCERN IS ONE OF TIMING SINCE WE WOULD LIKE TO SEE PRIORITY ATTENTION FIRST ADDRESSED TO ITEMS 1, 2, 3, AND 4, DISCUSSED ABOVE.

ALSO, IT SHOULD BE NOTED THAT THE REQUIREMENTS LAID ON BY ACTIONS DIRECTED IN PARAGRAPHS 1, 2, AND 3 ABOVE MAY NOT BE WHOLLY CONSISTENT WITH PRIOR LEGAL DETERMINATIONS THAT FEDERAL LAW AND REGULATIONS ARE ALMOST ENTIRELY INAPPLICABLE TO TRUST TERRITORY GOVERNMENT. IN ESSENCE, WE ARE TAKING THE POSITION THAT NOTWITHSTANDING SUCH LEGAL DETERMINATIONS, THE ACCOUNTING SYSTEM IS UNDER THE DIRECTION AND CONTROL OF FEDERAL EMPLOYEES AND THE SECRETARY HAS THE RIGHT TO DIRECT HOW THEIR ACCOUNTABILITY WILL BE CARRIED OUT. FURTHER, THE SOLICITOR HAS

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CONCLUDED THAT..."RESTRICTIONS AND REQUIREMENTS OF FEDERAL LAWS AND REGULATIONS ARE LEGALLY REQUIRED TO BE APPLIED AND PRACTICED BY THE GOVERNMENT OF THE TRUST TERRITORY EVEN THOUGH THEY MAY NOT BE LEGALLY APPLICABLE UNDER THE FEDERAL LAW TO THE GOVERNMENT."

WITH REGARD TO ITEM 4 ABOVE, I WISH TO EMPHASIZE THAT THE CONSULTANT TERRY GARRETT SHOULD BE ASSIGNED THE RESPONSIBILITY TO DESIGN THE PROCEDURE AND TRAIN AND SUPERVISE THE OPERATORS.

ACTING DOTA RICE SENDS. INGERSOLL

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